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YOUR MONEY

How to determine your bank's financial health

A little digging will tell you whether it's a safe place for your cash

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How can you tell whether your bank is in hot water?

More people have been asking that question since the collapse of Pasadena mortgage giant IndyMac Bank in July. After the government took over the bank, many customers had to wait in line for hours before they could speak to anyone about their deposits.

Sidney Eisenberg would like to avoid that inconvenience.

"Who wants to stand in line to do the paperwork, or find out because you didn't dot an 'i' or cross a 't' some bureaucrat doesn't want to give you your money? Life is too short to engage in any more hassles than necessary," said Eisenberg, 62, of Rowland Heights, whose investments include bank certificates of deposit as well as stocks and bonds.

The Federal Deposit Insurance Corp. says that when a bank fails, most customers who are covered by deposit insurance don't lose access to their money at all. IndyMac customers who didn't want to stand in line at a branch were still always able to access their accounts online or at an ATM, the agency says.

But when it comes to money, some people don't want to take any chances. Even if you know that your account is 100% insured, you still may want to check on the soundness of your bank or credit union.

Where do you start? Eisenberg, a retired General Motors executive, clicked on a "security" link on the website of his bank, Citibank, but found only "a bunch of trivial info about 'phishing' and online security scams."

Regulators rate the soundness of financial institutions but don't disclose the resulting grades. Savvy consumers, however, can turn to ratings generated by private firms that wade through the oceans of numbers that banks report to regulators.

The [Federal Deposit Insurance Corp.'s website](http://www.fdic.gov/bank/individual/bank/index.html) lists 11 firms that rate banks and thrifts and provide reports online, by mail or even over the phone. That information can be found at www.fdic.gov/bank/individual/bank/index.html.

The firms generate their ratings by feeding data taken from the banks' quarterly reports to regulators into proprietary computer programs. Information on banks and thrifts that is made available includes net worth (also known as capital), problem loans, profit or losses, cash on hand and reserves for losses.

Some of these services are expensive and oriented toward financial professionals. But [Bankrate Inc.](#) and [BauerFinancial Inc.](#) give free access to their ratings on all 17,000 U.S. banks, savings and loans and credit unions. Most institutions get three or four stars, with five best.

[Veribanc](#) issues twin ratings: one on the institution's current condition, plus a forecast of its prospects. The ratings for one bank or credit union cost \$10; additional institutions are \$5 apiece.

The rating experts take pains to caution that a low rating does not signal that collapse is likely. Even the worst-off banks -- those on the FDIC's secret list of troubled institutions -- have failed only 13% of the time, the agency says. Most worked their way back to health.

Comparing Bankrate's ratings with the website's data on CD interest rates, it's easy to see that many institutions offering high yields have few stars, leaving you to perform your own risk-reward analysis.

In any case, if your bank gets low grades, check to make sure all your money is insured by the FDIC so that you at least won't lose any funds if the bank fails.

Basic FDIC insurance tops out at \$100,000 per customer, but it is possible to insure many times that amount at a single institution by setting up joint accounts and trusts.

To determine whether your deposits are fully insured, don't rely on the assurances of lower-level bank employees, said Greg McBride, senior analyst at Bankrate.

"Do you really want to have as your financial advisor someone making \$10 an hour on the other side of the teller window?" he said.

McBride advises visiting the FDIC's online [Electronic Deposit Insurance Estimator](#) or contacting the FDIC call center at (877) 275-3342. For credit unions, the [National Credit Union Administration's website](#) has a similar calculator at webapps.ncua.gov/ins.

If you need to find another place to park some or all of your money, you can compare interest rates online at Bankrate. Also, each week BauerFinancial publishes a free list of money market and CD rates offered by banks and thrifts that get at least 3 1/2 stars. The list can be found at www.jumboratenews.com/btc_cdratewatch.asp.

Eisenberg discovered that Bankrate gave Citibank three stars -- not awful but not great either.

He doesn't really think the giant New York bank will ever fail, but nonetheless he withdrew about \$100,000 that was uninsured at Citibank and socked it away in a CD at Union Bank of California.

"Why wouldn't you want absolute peace of mind if you're only earning 3 1/2 % or 4% on a CD?" he said. "At that return, you're not getting paid to run any risk at all."

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Rating the banks

Here's how 20 banks with large deposit bases stack up in ratings of financial soundness by Bankrate and BauerFinancial. Both firms use a five-star scale; more stars is better.

Bank (1)	Deposits (2) in California (billions)	Rating by:	
		Bankrate	BauerFinancial
Bank of America	\$153.5	★★★	★★★★ ^{1/2}
Wells Fargo Bank	107.6	★★★★★	★★★★★
Washington Mutual	75.7	★	★★★★
Wachovia Bank (3)	43	★★	★★★★
Citibank	41.7	★★★★	★★★★
Union Bank of California	40.3	★★★★	★★★★
Bank of the West	22.3	★★★★	★★★★★
Comerica Bank	14.7	★★★★	★★★★★
City National Bank	12.5	★★★★★	★★★★★
Downey Savings & Loan	11	★	★
U.S. Bank	10.4	★★★★★	★★★★ ^{1/2}
California Bank & Trust	8.1	★★★★★	★★★★★
First Republic Bank (4)	7.5	★★	★★★★
East West Bank	7.1	★★★★	★★★★ ^{1/2}
United Commercial Bank	5.6	★★	★★★★ ^{1/2}
CapitalSource Bank (5)	5.2	n/a	n/a
Cathay Bank	5	★★★★	★★★★★
Rabobank	5	★★★★	★★★★
First Federal			
Bank of California	4.9	★	★★★★
Pacific Capital Bank (6)	4.8	★★★	★★★★ ^{1/2}

(1) In cases of multiple operating units with similar names, except for Pacific Capital, the ratings shown are of the unit with the most deposits.

(2) As of June 30, 2007, except for CapitalSource, which is as of July 2008.

(3) Deposits include those of World Savings, which Wachovia acquired.

(4) Ratings are for Merrill Lynch Bank & Trust, which owns First Republic.

(5) Successor to Fremont Investment & Loan.

(6) Operates as Santa Barbara Bank & Trust, First National Bank of Central California, South Valley National Bank, San Benito Bank and First Bank of San Luis Obispo

Sources: FDIC, Bankrate, BauerFinancial, the banks

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Graphic: Rating the banks

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